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March 19, 2007

Ref: 2610-24831

Honorable James H. Welsh
Commissioner of Conservation
Post Office Box 94275
Baton Rouge, LA 70804-4275

Re: Hearing Application
MA-3 Zone, Reservoir A
LOWER VACHERIE FIELD
St. James & St. John the Baptist Parishes, Louisiana
Applicant: Petsec Energy Inc.

Dear Mr. Commissioner:

In accordance with the Rules of Procedure for Conducting Hearings Before the Commissioner of Conservation of the State of Louisiana, application is hereby made on behalf of **Petsec Energy Inc.** for the calling of a public hearing, after legal notice, to consider evidence relative to the issuance of an order pertaining to the following matters relating to the MA-3 Zone, Reservoir A, Lower Vacherie Field, St. James & St. John the Baptist Parishes, Louisiana.

1. To create a single drilling and production unit of approximately 400± acres for the MA-3 Zone, Reservoir A, designated as the MA-3 RA SUA, Lower Vacherie Field, St. James & St. John the Baptist Parishes, Louisiana, all as shown more particularly on the attached plat;
2. To establish rules and regulations governing the exploration for and production of gas and condensate from the said unit;
3. To force pool and integrate all separately owned tracts, mineral leases and other property interests within the unit so created, with each tract sharing in unit production on a surface acreage basis of participation;
4. To consider such other matters relating to the subject reservoir as may be appropriate and justified by the evidence presented at the public hearing.

The MA-3 Zone, Reservoir A in the Lower Vacherie Field is hereby defined as being that gas and condensate bearing zone encountered between the measured depths of 11,605 feet and 11,792 feet (electrical log measurements) in the Union Oil Company of California-Southdown Sugars No. 1 Well located in Section 15, Township 13 South, Range 17 East, St. James Parish, Louisiana.

In compliance with the Rules of Procedure for Conducting Hearings Before the Commissioner of Conservation of the State of Louisiana, a pre-application conference was held in Lafayette, Louisiana on March 9, 2007. Attached hereto and made a part

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hereof is a list of the names and addresses of the parties who were in attendance at that conference.

The conference was opened by Mr. William F. Bailey. Mr. Louis Gilbert of Louis Gilbert & Associates presented the plan of applicant for a 350 acre geographic unit. Mr. David Comeaux on behalf of Rathborne Minerals, LLC presented a plan. His proposal would have added 25 acres to the east of the proposal of applicant. Discussions were had among the parties present at the conference concerning whether the acreage of Mr. Frank Falgoust on the north side of the unit could be included in the unit. Questions were asked and answered. The plan filed herein for an approximately 400 acre geographic unit, including some acreage of Mr. Frank Falgoust on the north end of the unit was the result of a compromise agreed to at the conference by all parties who attended the conference, including J. B. Falgoust and Ronnie Falgoust. Messrs. J. B. Falgoust who represented Eight Star, LLC and Ronnie Falgoust who represented The Shell Hill Planting & Manufacturing Co., Ltd. at the conference and fully agreed to the compromise at that time, have subsequently expressed misgivings about the plan and it is thus possible that they could oppose the compromise plan at the hearing. Applicant will present the compromise plan at the hearing. It appears that there may be opposition at the public hearing on this matter.

Attached hereto and made a part hereof is the revised plat outlining the MA-3 RA SUA, St. James & St. John the Baptist Parishes, Louisiana, and a list of the names and addresses of the interested owners, represented parties and interested parties to whom this notice is being sent. It is hereby certified that a reasonable effort was made to ascertain the names and addresses of all interested owners, represented parties and interested parties.

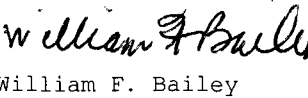
A copy of the list of the names and addresses of the interested owners, represented parties and interested parties is not being mailed to those parties along with this application notice. Should any such party desire a copy of this list, however, we will be glad to provide one upon request.

Upon receipt of the legal notice in the captioned matter, the notice will be posted, published and mailed in accordance with Rule 7 of the Rules of Procedure.

Any pertinent data relating to the proposed unit can be obtained, AT THE COST OF THE REQUESTING PARTY, from Mr. Louis Gilbert of Louis Gilbert & Associates, 3636 N. Causeway Blvd., Suite 204, Metairie, LA 70002 (504) 834-8112.

Finally, there is enclosed herewith our check on behalf of the applicant in the amount of \$755.00, made payable to the Office of Conservation, representing the required hearing application fee.

Very truly yours,


William F. Bailey

WFB/ht

Attachments

cc: Mr. Richard D. Hudson, District Manager
Office of Conservation

All Interested Owners, Represented Parties and
Interested Parties

